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INFO RUEHXX/ARAB ISRAELI COLLECTIVE PRIORITY

RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY

RUCNIRA/IRAN COLLECTIVE PRIORITY

RUCNRAQ/IRAQ COLLECTIVE PRIORITY

RUCNISL/ISLAMIC COLLECTIVE PRIORITY

RUEHJI/AMCONSUL JEDDAH PRIORITY 8359

S E C R E T SECTION 01 OF 03 RIYADH 000367

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E.O. 12958: DECL: 02/24/2017

TAGS: [PTER](#) [PGOV](#) [PREL](#) [PINR](#) [EFIN](#) [KTFN](#) [MEPP](#) [KPAL](#) [SA](#)

SUBJECT: APHSCT TOWNSEND FEBRUARY 6 MEETING WITH FOREIGN
MINISTER PRINCE SAUD AL-FAISAL

REF: 06 RIYADH 9083

Classified By: Ambassador James C. Oberwetter
for reasons 1.4 (b) and (d).

11. (S) SUMMARY: Assistant to the President for Homeland Security and Counterterrorism Francis Fragos Townsend covered both counterterrorism cooperation and regional political issues in her meeting with Foreign Minister Prince Saud Al-Faisal at his home in Jeddah on February 6. Saud described the February 2 arrests of ten suspected terrorism financiers in Jeddah and Medina as a positive step that could well result in other leads and arrests. On the proposed Charities Commission, Saud said that the SAG is leaning toward establishing a government entity that directly disburses charitable funds. He characterized engagement with Iran as a two-pronged approach involving frank dialogue and security pressure. "We will supply the logic and you supply the pressure," he said, adding that the US Navy's recent strengthening of presence in the Gulf was a good example of the force element. In response to APHSCT Townsend's request to use SAG influence with Arabsat to block Al-Manar broadcasting, Prince Saud replied that Iranian-financed cultural centers in Lebanon, Iraq and Afghanistan are a greater source of Iranian influence in the region than Al-Manar television. On Arab-Israeli issues, Prince Saud hoped Secretary Rice would return to the region soon to address the "key substantive issues" of Jerusalem and Palestinian refugees. In a subsequent private meeting, APHSCT Townsend renewed US concerns about the Saudi Ambassador in the Philippines; Saud said that the ambassador would be ending his tour shortly. END SUMMARY.

12. (S) APHSCT Townsend commended Prince Saud on efforts to counter terrorist financing but urged more progress. She noted that the President was quite concerned about bilateral cooperation in this area and that she had a letter for King Abdullah from the President on this subject. Prince Saud replied that the arrests of ten terror financing suspects on February 2 was "good progress" but that "more needs to be done." Questioning these suspects could lead to more leads and arrests, he noted. APHSCT Townsend said she had just met with Finance Minister al-Assaf to ask about the royal decree on declaring cash upon exit and entry. The King had issued the decree over one year ago but it has yet to be implemented. Prince Saud noted that the Customs people are not the most capable, and that he was surprised at the lack of implementation.

13. (S) Asked by Prince Saud what the Ministry of Foreign Affairs could do to help on counterterrorism cooperation, APHSCT Townsend raised establishment of the Charities

Commission, which was announced two years ago but not yet implemented. She noted that it could be set up in either of two ways: as a government body which is responsible for disbursing charitable donations; or as a regulatory body to oversee acts of the private charities, which is the way the US does it. She stressed that a decision, either way, is needed. Saud said the SAG was leaning towards an organization that has direct responsibility for disbursing charitable funds. He noted there are Islamic law implications, implying that these implications are slowing down the decision process but are important to consider carefully. APHSCT Townsend raised the issue of continuing activity by remnants of the UN-sanctioned al-Haramain organization. Saud responded that any proposed illegal transfers are being monitored and stopped. By following the trail of illegal transfers, the SAG has found and stopped the source of funding in many investigations-- sending a strong preventative message to others engaging in similar, illegal activities. APHSCT Townsend thanked Prince Saud for the SAG's efforts in this area

14. (C) Asked by APHSCT Townsend about his views of developments in Iran, Prince Saud described the recent Iranian message, brought by Larijani, offering to help prevent a Sunni/Shi'ite sectarian divide. Saud said his government is focused on Iranian actions, not words. The Saudis had earlier warned the Iranians against pursuing a "dangerous" policy of sectarian division, especially in Iraq. He said Iran was embarking on a dangerous path of "fitna" (dissention) within the Muslim community. Although there is a Shi'ite majority in Iraq, elsewhere in the region the Shi'a are a minority. A sectarian-based policy in Iraq could jeopardize the situation of these Shi'ite minorities outside

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Iraq, he noted.

15. (C) Saud compared the Iranian influence in Iraq with Iranian influence in Lebanon, commenting that he saw positive signs in Lebanon, where Iran urged Hizbollah to stop street protests and go back to their homes. Saud said that it is SAG policy to pursue very frank discussions with the Iranians; we need a joint policy of frankness and security pressure, he stressed. Strengthening the US Navy presence in the Gulf sent a good message. "You provide the pressure and we'll provide the logic," he said.

16. (C) APHSCT Townsend said that Hizbollah does not appear to the US to have toned down its rhetoric, and she raised the request for Saudi help with Arabsat to block the broadcast of al-Manar television. Blocking al-Manar would help reduce Hizbollah's sphere of influence, she said. The French have agreed not to permit the broadcast of al-Manar, she noted. Prince Saud replied that the "more important problem" is the Hizbollah cultural center, which exercises greater influence than al-Manar television and could be closed down by the multi-national forces, he asserted. The Iranians also fund such centers in Afghanistan and Iraq, he said.

17. C) Ambassador Oberwetter asked Prince Saud about media reports ahead of Russian President Putin's visit to Saudi Arabia on February 11-12 regarding a Russian interest in discussing a "Middle East Security Regime." Prince Saud said that he was unaware of such a plan, and that the scheduled visit will focus on bilateral relations, including military cooperation and economic agreements. He noted that the Saudis will raise the possible purchase of military equipment from the Russians because "your people told us it would be better purchased from Russia, because they are cheaper and just as good." He said he did not know why the US had told the Kingdom to go to the Russians, but that they would nonetheless. He added that the Saudis will raise UN Security Council issues, especially the tribunal to look into the Hariri assassination, and the Quartet issues.

18. (S) On Arab-Israeli issues, Prince Saud said that he talked with Secretary Rice via telephone on February 4 about

the Fatah-Hamas reconciliation meeting in Mecca. He said if they reach an agreement, the Saudis would hope for a positive US reaction. He hoped that there would not be too many conditions placed upon Hamas in order for it to enter into a national unity government. APHSCT Townsend said they US expected Hamas to stop fighting and to make progress on peace with Israel. More important than what they say is what they do, she stressed. Saud stressed the importance of having clear guidelines and goals, which are applied to both sides of the conflict. He said he expects Secretary Rice to return to the region, to meet with Prime Minister Olmert and President Abu Mazen. He said he hopes she will address the substantive issues - Jerusalem and Palestinian refugees -- and noted that it has been seven years since anyone has discussed the status of Jerusalem. The side issues, for instance opening a passage between Gaza and the West Bank, should be handled at a different level, by Assistant Secretary Welch, he suggested.

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¶9. (S) In a following private meeting with Saud, attended only by the Ambassador, APHSCT Townsend raised US concerns with the potential involvement of the Saudi ambassador to the Philippines Muhammad Amin Waly in terrorism facilitation, particularly his intervention to get two members of IIRO out of prison. Prince Saud said some of his actions may have involved bad judgment rather than intentional support for terrorism. Waly had been investigated, he said, and no evidence was found regarding his involvement. Since this Ambassador's assignment in Manila would be ending in several months, Saud asked for USG evidence of his involvement. APHSCT Townsend said the USG would cooperate with the Mubahith in providing evidence.

¶10. (S) Prince Saud then raised in the private meeting the Saudi Embassy in Washington's problems with the US bank that handles the Embassy account. He asserted that the US bank is performing audits on the Saudi Embassy bank accounts beyond what is required by US law, and asking inappropriate and aggressive questions. He noted that the Saudi Embassy enjoys diplomatic immunity. If this is the bank's initiative, he asked for USG intercession. APHSCT Townsend said we would look into it.

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¶11. (U) This cable has been cleared by APHSCT Townsend.

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